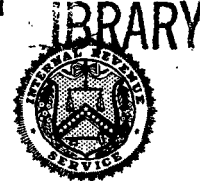


INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 66- 1

January 7, 1966

USE OF "RECONSTITUTED TOBACCO" AS A WRAPPER FOR ROLLS OF TOBACCO

Manufacturers of tobacco products:

Purpose. This industry circular is issued to advise you concerning the use of reconstituted tobacco as a wrapper for rolls of tobacco.

Background. The Excise Tax Reduction Act of 1965, Public Law 89-44, I.R.B. 1965-29, 17, amended the definitions of "cigar" and "cigarette" in section 5702 of the Internal Revenue Code of 1954. Revenue Procedure 65-23, I.R.B. 1965-33, 49, and Industry Circular No. 65-15 dated June 23, 1965, advised manufacturers of tobacco products of the continuance of the procedure to be followed to secure an official determination of the rate of tax applicable to the tobacco product when reconstituted tobacco was used as a wrapper for rolls of tobacco. Reconsideration of the matter has resulted in the changed procedures expressed herein and in a soon to be published Revenue Procedure which will supersede Revenue Procedure 65-23.

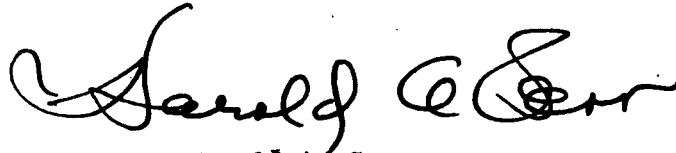
Procedures. 1. Manufacturers of tobacco products have the initial responsibility in determining whether material, intended for use as a wrapper for rolls of tobacco, is a "substance containing tobacco," and in determining whether a roll of tobacco wrapped in such material is a cigar or a cigarette and to taxpay it accordingly. Significant areas of consideration are appearance of the product, the type of tobacco used in its filler, and its packaging and labeling (including marketing practices).

2. If a manufacturer of tobacco products is confident that the material he intends to use as a wrapper for rolls of tobacco is a "substance containing tobacco," and that the finished product is clearly distinguishable as a cigar or clearly distinguishable as a cigarette, he need not obtain a tax determination from the Director, Alcohol and Tobacco Tax Division, prior to marketing the product.

3. If, however, a manufacturer of tobacco products is not so confident that the material he intends to use as a wrapper for rolls of tobacco is a "substance containing tobacco," or that the finished product is clearly distinguishable as a cigar or clearly distinguishable as a cigarette, he should submit samples of the finished product (not less than 10) and the package as the product will be offered to consumers. The samples should be transmitted for a tax determination to the Director, Alcohol and Tobacco Tax Division, Washington, D. C. 20224, Attention: Tobacco Tax Branch.

4. On occasion, Alcohol and Tobacco Tax Inspectors may pick up tax-exempt samples of products and the packages in which they will be offered to consumers, for examination and testing purposes. Such samples will not be returned to the manufacturers.

Inquiries. Inquiries in regard to this Industry Circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



Harold A. Serr
Director, Alcohol and Tobacco Tax Division

Distribution 1/17/66: (Total 353)
Manufacturers of Tobacco Products 42, Tobacco Export Warehouses 6,
Manufacturers of Tobacco Products Special List 6, Mr. Henry, Mr. Schulz,
Mr. Kelley, Mr. Hornback 10, Mr. Thiard 2, Mr. Pestien 1, Mr. Roth 16,
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